

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

NOV 8 1938

What Is the Cotton Situation?

When farmers have cotton to market they are very much interested in the price. If the price is not good, they like to know the reasons why.

When they look for the reasons why, they find that cotton prices are affected by the supply (the carry-over plus current production), and by the amount of cotton consumed.

The price farmers get for their cotton helps to determine the amount of money they have to spend.

In view of their interest in these things the following questions and answers about the present cotton situation have been prepared.

I. SUPPLY

A. TOTAL SUPPLY

1. What has been the effect of large supplies on price?

In general, large supplies of cotton mean low prices, and low supplies mean high prices. The supply is made up of the carry-over at the beginning of the season and the current crop. Even with a normal crop, a large carry-over results in a large supply and low price. This is the 1938-39 situation.

2. How did the 1937-38 supply of American cotton affect the price as compared with previous seasons?

The 1937-38 supply of American cotton was 5.3 million bales above that of the previous year; therefore, the 1937 crop sold at a lower price (table 1, column 11). This exceeded the supplies of all previous years, except those of 1931-32 and 1932-33. The world supply of American cotton has ranged from 14 to 26 million bales since 1920-21.

3. How will the 1938-39 supply of American cotton affect the price for the 1938 crop?

The 1938-39 supply of American cotton is estimated at 25.8 million bales. Such a supply is over one million bales above that for the 1937-38 season, and the price is lower.

4. Is the supply of foreign cotton increasing as rapidly as the supply of American cotton?

The 1937-38 supply of foreign cotton was 25.6 million bales (table 1, column 12), or about one-half million bales above the previous year and 9 million bales above the 1920-21 to 1937-38 average. The 1938-39 supply of foreign cotton is estimated at 26.2 million bales, or slightly more than one-half million bales in excess of the 1937-38 supply.

TABLE 1.—United States, foreign, and world cotton statistics

[All figures in millions]

Crop year	Acreage harvested			Production ¹			World carry-over		
	United States	Foreign	World	United States	Foreign	World	American	Foreign	All
1	2	3	4	5	6	7	8	9	10
1920-21	34.4	32.0	66.4	13.7	7.0	20.6	6.3	5.4	11.8
1921-22	28.7	29.2	57.9	8.3	6.9	15.2	9.7	5.5	15.2
1922-23	31.4	33.4	64.8	10.1	8.3	18.5	5.7	4.8	10.5
1923-24	35.6	36.2	71.8	10.3	8.8	19.1	3.3	4.3	7.6
1924-25	39.5	41.3	80.8	14.0	10.1	24.1	2.7	3.9	6.6
1925-26	44.4	43.4	87.8	16.2	10.6	26.7	3.4	4.6	7.9
1926-27	44.6	40.1	84.7	18.2	9.8	27.9	5.5	5.0	10.5
1927-28	38.3	40.0	78.4	13.0	10.4	23.3	7.8	4.8	12.7
1928-29	42.4	43.0	85.5	14.6	11.2	25.8	5.2	5.3	10.5
1929-30	43.2	43.3	86.6	14.7	11.5	26.3	4.5	6.0	10.5
1930-31	42.4	43.1	85.6	13.9	11.5	25.4	6.2	5.7	11.9
1931-32	38.7	43.5	82.2	16.9	9.6	26.5	9.0	5.8	14.8
1932-33	35.9	42.6	78.5	13.0	10.5	23.5	13.3	5.1	18.3
1933-34	29.4	46.8	76.2	12.7	13.4	26.1	11.8	5.3	17.1
1934-35	26.9	48.8	75.7	9.6	13.5	23.0	10.7	6.8	17.5
1935-36	27.6	51.9	79.6	10.5	15.8	26.3	9.0	6.0	15.1
1936-37	30.0	55.7	85.7	12.4	18.3	30.7	7.0	6.7	13.6
1937-38	34.0	58.2	92.2	18.4	18.5	36.9	6.2	7.1	13.3
1938-39 ²	26.4			12.1	16.4	28.5	13.7	9.8	23.4

Crop year	World supply			World consumption				
	United States	Foreign	Total	American			Foreign	All
				United States	Foreign	Total		
1	11	12	13	14	15	16	17	18
1920-21	20.0	12.4	32.4	4.7	5.6	10.3	6.9	17.2
1921-22	18.0	12.4	30.3	5.6	6.6	12.2	7.6	19.8
1922-23	15.8	13.1	28.9	6.3	6.1	12.4	8.9	21.3
1923-24	13.6	13.0	26.7	5.4	5.6	10.9	9.1	20.0
1924-25	16.7	14.0	30.7	5.9	7.4	13.3	9.4	22.7
1925-26	19.6	15.1	34.7	6.2	7.8	14.0	10.2	24.2
1926-27	23.7	14.7	38.4	6.9	8.9	15.7	9.9	25.7
1927-28	20.8	15.2	36.0	6.5	9.0	15.6	9.9	25.4
1928-29	19.8	16.6	36.3	6.8	8.4	15.2	10.6	25.8
1929-30	19.2	17.6	36.8	5.8	7.2	13.0	11.9	24.9
1930-31	20.1	17.2	37.3	5.1	6.0	11.1	11.4	22.4
1931-32	25.9	15.4	41.3	4.7	7.8	12.5	10.4	22.9
1932-33	26.2	15.6	41.8	6.0	8.4	14.4	10.3	24.7
1933-34	24.5	18.7	43.2	5.6	8.2	13.8	11.8	25.6
1934-35	20.3	20.3	40.6	5.2	6.0	11.2	14.3	25.5
1935-36	19.5	21.9	41.4	6.2	6.3	12.5	15.2	27.7
1936-37	19.4	25.0	44.3	7.8	5.3	13.1	17.9	31.0
1937-38	24.6	25.6	50.2	5.6	5.3	10.9	15.5	26.4
1938-39 ²	25.8	26.2	51.9					

¹ Includes only cotton entering commercial channels; adjusted to running bales from census 500-pound gross weight bales.

² Preliminary.

Compiled from reports of the New York Cotton Exchange, by Southern Division, A. A. A.

5. In general, are cotton producers throughout the world facing burdensome surpluses of cotton?

The world supply of all cotton in 1937-38 was 50.2 million bales (table 1, column 13), or 6 million bales larger than any previous annual supply, and was 34 percent greater than the average of the 1920-21 to 1937-38 period. The world supply of

all cotton in 1938-39 is now estimated to be 51.9 million bales, which is an increase of 1.7 million bales over the 1937-38 supply.

B. CARRY-OVER

6. How did the carry-over facing cotton producers of the world on August 1, 1938, compare with that of previous seasons?

AMERICAN COTTON: The carry-over of 13.7 million bales of American cotton for the present season is the largest ever recorded, and is larger than the 1937-38 world consumption of American cotton (table 1, columns 8 and 16). The carry-over since August 1, 1920, has ranged from 3 to 13.7 million bales. The August 1, 1938, carry-over exceeds that of the previous year by more than 7 million bales—a record increase. The carry-over on August 1, 1932, was about the same as that on August 1, 1938, and it was not until August 1, 1936, that the carry-over assumed normal proportions.

FOREIGN COTTON: The carry-over of foreign cotton on August 1, 1938, exceeds the 1937 carry-over (a record high) by almost 3 million bales (table 1, column 9). The world carry-over of foreign cotton ranged from 4 to 7 million bales during the period 1920-37.

WORLD COTTON (American plus foreign): The estimated August 1, 1938, world carry-over of 23.4 million bales is 10 million bales larger than the 13.3 million bales carry-over recorded on August 1, 1937 (table 1, column 10). The world carry-over, prior to 1932, fluctuated from 7 to 15 million bales. Since 1932 and prior to 1938, the carry-over was slowly reduced year by year.

C. PRODUCTION

7. Did the world cotton producers in 1937-38 grow more or less cotton in comparison with previous seasons?

The 18.4 million bale crop of American cotton in 1937-38 was the largest ever produced in the United States. The next highest production was 18.2 million bales in 1926-27 (table 1, column 5).

The 1937-38 production of foreign cotton of 18.5 million bales was the largest crop ever produced in foreign countries. Foreign production has been on an upward trend for the past 45 years. Since 1920 it has ranged from 7 to 18.5 million bales.

The world production for the 1937-38 season was 36.9 million bales, the largest crop ever produced. It exceeded the 1936-37 production by 6.2 million bales.

8. How does the estimated 1938-39 production of world cotton compare with that of the previous season?

The 1938-39 production in the United States is estimated as of October 1, 1938, at 12.1 million bales. Such a production would be almost 6.3 million bales less than that of the 1937-38 season.

The preliminary estimate of foreign cotton production of 16.4 million bales for the 1938-39 season is a reduction of 2.1 million bales from the 1937-38 production.

The estimated world production of cotton for 1938-39 is 28.5 million bales, a decrease of 8.4 million bales from the production of the previous year.

II. CONSUMPTION

9. Did people consume more American cotton in 1937-38 than in previous seasons?

No. The 5.6 million bales domestically consumed in 1937-38 was slightly below the average for the period since 1920-21, and is more than 2 million bales below the consumption of the previous year. The domestic consumption of American cotton since 1920-21 has ranged from 4.7 to 7.8 million bales.

The foreign consumption of American cotton during each of the past 2 years was lower than that of any previous season since 1920-21, although the price last year was lower than at any time since 1920-21 except two of the depression years. Peaks in the foreign consumption of American cotton since 1920 occurred in 1926-27, 1927-28, and 1928-29, and again in 1932-33. During two of these years the price was high, in another the price was about the same as year before last, and one was a depression year of low cotton prices.

Though the price was only two-thirds that of the previous season, the world consumption of American cotton in 1937-38 was 10.9 million bales, a decrease of 2.2 million bales from that of the previous season, and 2.0 million bales below the 1920-21 to 1937-38 average.

10. Did people all over the world consume more cotton in 1937-38 than in previous seasons?

World consumption of foreign cotton increased from 7 million bales in 1920-21 to 10 million bales in 1925-26 (table 1, column 17). There was little change in consumption during the next 7 years. Since 1932-33 world consumption of foreign cotton has shown an upward trend. However, the 1937-38 consumption was about 2.5 million bales less than that of the previous year. The world consumption of foreign cotton reached a new high in 1936-37, at the same time that a new high was reached in the domestic consumption of American cotton.

The world consumption of all cotton in 1937-38 was 26.4 million bales, and was 4.6 million bales below that of the previous season, although prices were off at least one-third.

III. CASH INCOME AND PURCHASING POWER

11. How does the 1933-37 average cash income from the cotton crop compare with the previous 3-year average income?

The 1933-37 average total cash income from the cotton crop, including payments, is 56 percent greater than that for the 3-year average immediately preceding the cotton programs, 1930-32.

12. How much would the cotton crops of 1933-37 buy in comparison to those of the 3-year period immediately preceding the cotton programs?

The crops for the 5 years 1933-37 bought an average of 73.5 percent as much goods and services as the average 1910-14 crop bought, while the crops for the 3-year period, 1930-32, bought 47.2 percent as much as the 1910-14 average. This means that the cotton income during the period of the programs, on the average, have been such as to purchase 56 percent more goods than the average income during the 3-year period just prior to the programs. In addition, there has been (1) many millions in cash output saved annually, (2) an opportunity to use more land and labor for the production of food and feed for home use, and (3) considerable conservation and improvement of the soils and farm plant.

The purchasing power of cotton lint and cottonseed since 1909-10 is illustrated by the chart and table 2.

PURCHASING POWER OF COTTON LINT AND COTTONSEED

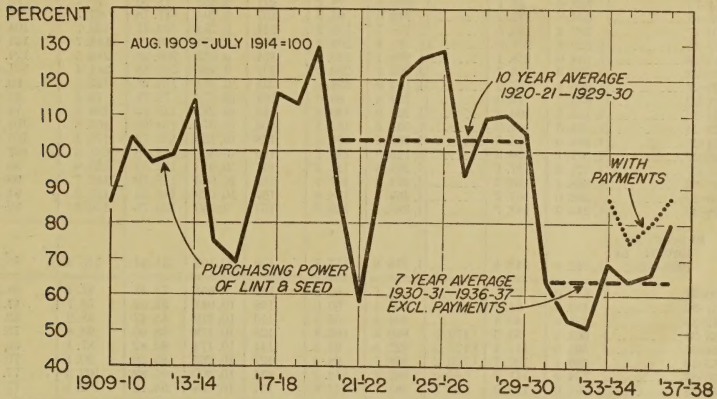


TABLE 2.—Income and purchasing power from cotton lint, cottonseed, and Government payments, 1909-10 to 1937-38

Year	Cash income from—				Index of total income ¹	Index of prices farmers pay ²	Population on cotton farms ³	Total cash income per capita	Index of total income on per capita basis ⁴	Purchasing power of total income on per capita basis ⁵
	Lint	Seed	Total payments	Total						
	Million dollars	Million dollars	Million dollars	Million dollars			Thousands	Dollars		
1909-10.....	680.2	56.1	-----	736.4	84.5	(⁶)	9,205	80.00	86.2	(⁶)
1910-11.....	809.7	103.1	-----	912.8	104.7	97	9,304	98.11	105.7	109.0
1911-12.....	752.9	90.0	-----	842.9	96.7	100	9,395	89.72	96.6	96.6
1912-13.....	787.2	88.1	-----	875.3	100.4	100	9,477	92.36	99.5	99.5
1913-14.....	884.9	105.7	-----	990.6	113.7	102	9,560	103.62	111.6	109.4
5-year av., 1909-10 to 1913-14.....	783.0	88.6	-----	871.6	100.0	(⁶)	9,388	92.84	100	(⁶)
1914-15.....	592.8	93.1	-----	685.9	78.7	101	9,633	71.20	76.7	75.9
1915-16.....	626.8	122.2	-----	749.0	85.9	107	9,704	77.18	83.1	77.7
1916-17.....	992.2	186.5	-----	1,178.7	135.2	124	9,792	120.37	129.7	104.6
1917-18.....	1,529.8	251.6	-----	1,781.4	204.4	148	9,854	180.78	194.7	131.6
1918-19.....	1,738.0	258.1	-----	1,996.1	229.0	174	9,932	200.98	216.5	124.4
1919-20.....	2,020.2	245.7	-----	2,265.9	260.0	201	9,987	226.88	244.4	121.6
1920-21.....	1,069.3	95.3	-----	1,164.6	133.6	205	10,157	114.66	123.5	60.2
1921-22.....	675.7	79.0	-----	754.8	86.6	164	10,370	72.79	78.4	47.8
1922-23.....	1,115.6	109.3	-----	1,224.9	140.5	162	10,282	119.13	128.3	79.2
1923-24.....	1,454.3	143.3	-----	1,597.6	183.3	164	10,314	154.90	166.8	101.7
1924-25.....	1,561.0	146.5	-----	1,707.5	195.9	168	10,429	163.73	176.4	105.0
1925-26.....	1,577.1	159.3	-----	1,736.3	199.2	169	10,307	168.46	181.5	107.4
1926-27.....	1,121.2	127.1	-----	1,248.3	143.2	167	10,052	124.18	133.8	80.1
1927-28.....	1,308.1	153.2	-----	1,461.3	167.7	167	10,043	145.50	156.7	93.8
1928-29.....	1,302.0	167.2	-----	1,469.3	168.6	167	10,029	146.51	157.8	94.5
1929-30.....	1,244.9	143.7	-----	1,388.5	159.3	163	9,939	139.70	150.5	92.3
10-year av., 1920-21 to 1929-30.....	1,242.9	132.4	-----	1,375.3	157.8	170	10,192	134.94	145.35	86.2
1930-31.....	659.0	92.1	-----	751.1	86.2	148	9,951	75.48	81.3	54.9
1931-32.....	483.6	44.8	-----	528.4	60.6	128	10,041	52.62	56.7	44.3
1932-33.....	424.0	40.3	-----	464.3	53.3	115	10,219	45.43	48.9	42.5
1933-34.....	663.5	53.0	⁷ 179.7	896.3	102.8	125	10,178	88.06	94.8	75.8
1934-35.....	595.6	111.4	⁸ 115.2	822.3	94.3	131	10,174	80.82	87.1	66.5
1935-36.....	590.1	107.7	⁸ 160.2	858.1	98.4	127	10,255	83.68	90.1	70.9
1936-37.....	764.4	141.3	⁸ 82.0	987.7	113.3	134	10,300	95.89	103.3	77.1
1937-38 ¹⁰	795.0	123.0	⁹ 63.7	981.7	112.6	131	10,358	94.78	102.1	77.9
8-year av., 1930-31 to 1937-38.....	621.9	89.2	-----	786.2	90.2	130	10,184	77.20	83.2	64.0
5-year av., 1933-34 to 1937-38.....	681.7	107.3	120.2	909.2	104.3	130	10,253	88.68	95.5	73.5
29-year av., 1909-10 to 1937-38.....	993.8	125.4	-----	1,139.9	130.8	¹¹ 142	9,974	114.29	123.1	86.7

¹ Annual total cash income expressed as ratio of 1909-13 average cash income.² Includes interest and taxes. Calendar years 1910-14=100. Prior to 1923 index numbers on calendar-year basis; 1923-24 season to 1937-38, averages of monthly index numbers.³ Estimated from census and Bureau of Agricultural Economics data on farm population and number of farms reporting cotton.⁴ Annual total cash income per capita expressed as ratio of 1909-13 average per capita income.⁵ Index of total income per capita divided by index of prices farmers pay.⁶ Comparable data not available.⁷ Rental and benefit payments as of Dec. 31, 1937; profits on cotton options as of June 30, 1938.⁸ As of Dec. 31, 1937.⁹ Preliminary estimates.¹⁰ Preliminary.¹¹ 28-year average, 1910-11 to 1937-38.

